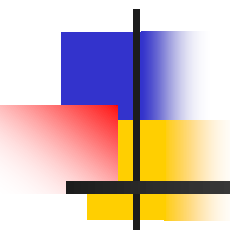


Property Tax Relief and Reform: Plan Overview



June 11, 2007

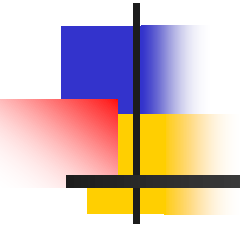


Plan Components

- Statutory Tax Relief
 - FY 2007-08 Tax Cut and Cap
 - FY 2008-09 Tax Cut (If Const Amnd Passes) and Cap
 - Annual Property Tax Growth Cap

- Constitutional Tax Relief and Reform
 - Homestead Exemption Increase
 - Targeted Preferences

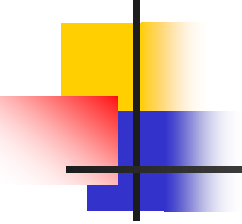
Statutory Tax Relief





Tax Cut and Cap: FY 2007-08

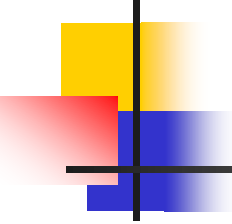
- Immediate tax relief this year.
- Reductions based on past behavior of the taxing jurisdiction.
- Applies to counties, cities, and special districts.
- Override of the prescribed tax relief is allowed under specified circumstances



2007-08 Tax Cut: Calculation

- Property tax levies must be reduced to FY 2006-07 levels minus a specified percentage reduction factor.
 - Growth in revenues on the value of new construction is allowed.
- This is the same as reducing the “rolled back rate” by the specified percentage.

2007-08 Tax Cut: Calculation

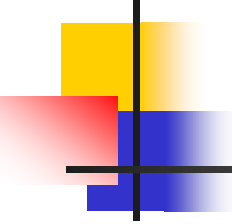


Current Law (Baseline)	2006-07	2007-08
Tax Base	\$ 1,000,000	\$ 1,050,000
New Construction		\$ 25,000
Total Tax Base	\$ 1,000,000	\$ 1,075,000
x Tax Rate (mills)	5.000	5.000
Tax Levy	\$ 5,000	\$ 5,375

Proposed	
2006-07 Revenues	\$ 5,000
<u>minus % Reduction Factor (5%)</u>	<u>\$ (250)</u>
	\$ 4,750
New Tax Rate	4.524
<u>plus Tax on New Construction</u>	<u>\$ 113</u>
Tax Levy	\$ 4,863

Difference from Baseline -9.5%

Difference from 2006-07 -2.7%



2007-08 Tax Cut: Calculation

Tax Cut Applies Equally to All Property Types

	Homestead	Non-Homestead Residential	Commercial/Industrial	Tangible Personal Property
Taxable Value	\$ 200,000	\$ 250,000	\$ 1,000,000	\$ 100,000
Taxes--Baseline	\$ 1,000	\$ 1,250	\$ 5,000	\$ 500
Taxes--Proposed	\$ 905	\$ 1,131	\$ 4,524	\$ 452
Diff. from Baseline	-9.5%	-9.5%	-9.5%	-9.5%



2007-08 Tax Cut: Percentage Reduction Factors

- As a simplifying measure, cities and counties are grouped according to how rapidly their property taxes, adjusted for population, have grown over the past five years.
 - Annual compound growth in per capita tax levies from FY 2001-02 to 2006-07 for a jurisdiction, compared to the same measure for the entire state.



2007-08 Tax Cut: Percentage Reduction Factors

- Based on this comparison--one for cities and one for counties--governments were placed in different groups, each with a different percentage reduction factor.
 - Reduction factors are 3%, 5%, 7%, and 9%.
 - Special consideration is given to fiscally limited jurisdictions.



2007-08 Tax Cut: Percentage Reduction Factors

- The following boundaries were used for each group:

Revenue Growth Compared to State Avg

Reduction

Factor

3%

5%

7%

9%

Counties

-5% to -3%

-3% to -1%

-1% to +1%

+1% or more

Cities

-6% to -4%

-4% to -1%

-1% to +0.8%

+0.8% or more



2007-08 Tax Cut: Percentage Reduction Factors

- Fiscally limited counties and cities are placed in the 3% cut bracket
 - Fiscally limited counties are counties currently defined in statute as “fiscally constrained” and for which the revenue value of one mill per capita is less than \$100.
 - Fiscally limited cities are cities that are either in a fiscally limited county or cities that have been in a state of financial emergency at some point since July 1, 2001.



2007-08 Tax Cut: Percentage Reduction Factors

- All independent special districts are treated uniformly with a 3% reduction factor.
- Jurisdictions that have levied property taxes for less than 5 years are not subject to the reduction.
- The reductions do not apply to certain voted levies:
 - Debt Service,
 - Two-year time-limited levies.



2007-08 Tax Cut: Override

- Override of the tax cuts are allowed:
 - To exceed the reduced tax level up to the level of 2006-07 revenues requires 2/3 vote of the governing board.
 - To exceed the above and up to the level of taxes achieved with 2006-07 tax rates requires unanimous vote of the governing board.
 - Above this level requires voter approval.

2007-08 Tax Cut: Penalties



- If a county or city exceeds the required lower tax revenue level without the required extraordinary votes, then it will not receive Half-Cent Sales Tax distributions.



Tax Cut and Cap: FY 2008-09

- If the constitutional amendment passes, there will be a further tax cut and cap adjustment in FY 2008-09.
- Jurisdictions will not be allowed to increase tax rates to offset reductions in the tax base without an extraordinary vote.

2008-09 Tax Cut: Override



- Override of the tax cuts are allowed.
 - To exceed the reduced tax level to recover up to $\frac{2}{3}$ of the revenue loss due to the base reduction— $\frac{2}{3}$ vote of the governing board.
 - To exceed the above—unanimous vote of the governing board or referendum



Tax Growth Cap

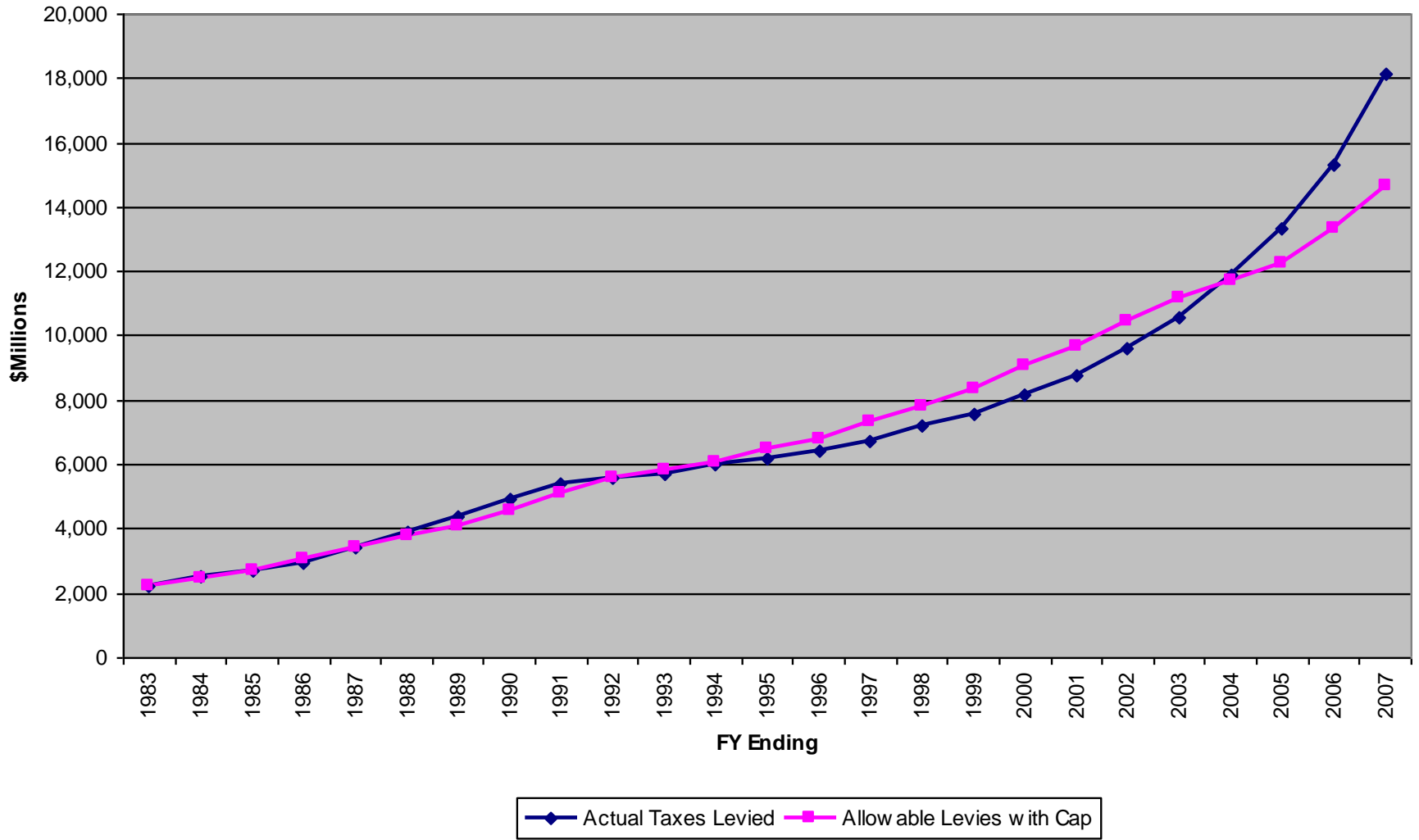
- Following the caps in FYs 2008 and 2009, property taxes for a jurisdiction will be allowed to grow with population (new construction) and the growth in Florida per capita personal income.
- Does not apply to school taxes.
- Override up to 10% over the cap by 2/3 vote of the governing board.
- Above this requires unanimous vote of governing board or referendum.



Tax Growth Cap

- Allows property tax revenues to grow with the state economy
- Would have prevented the dramatic growth in property taxes of the last four years

**Florida City, County & Independent District Property Tax Collections
Compared to Collections Limited to Population and Income Growth
(Base Year for Cap = 1982)**

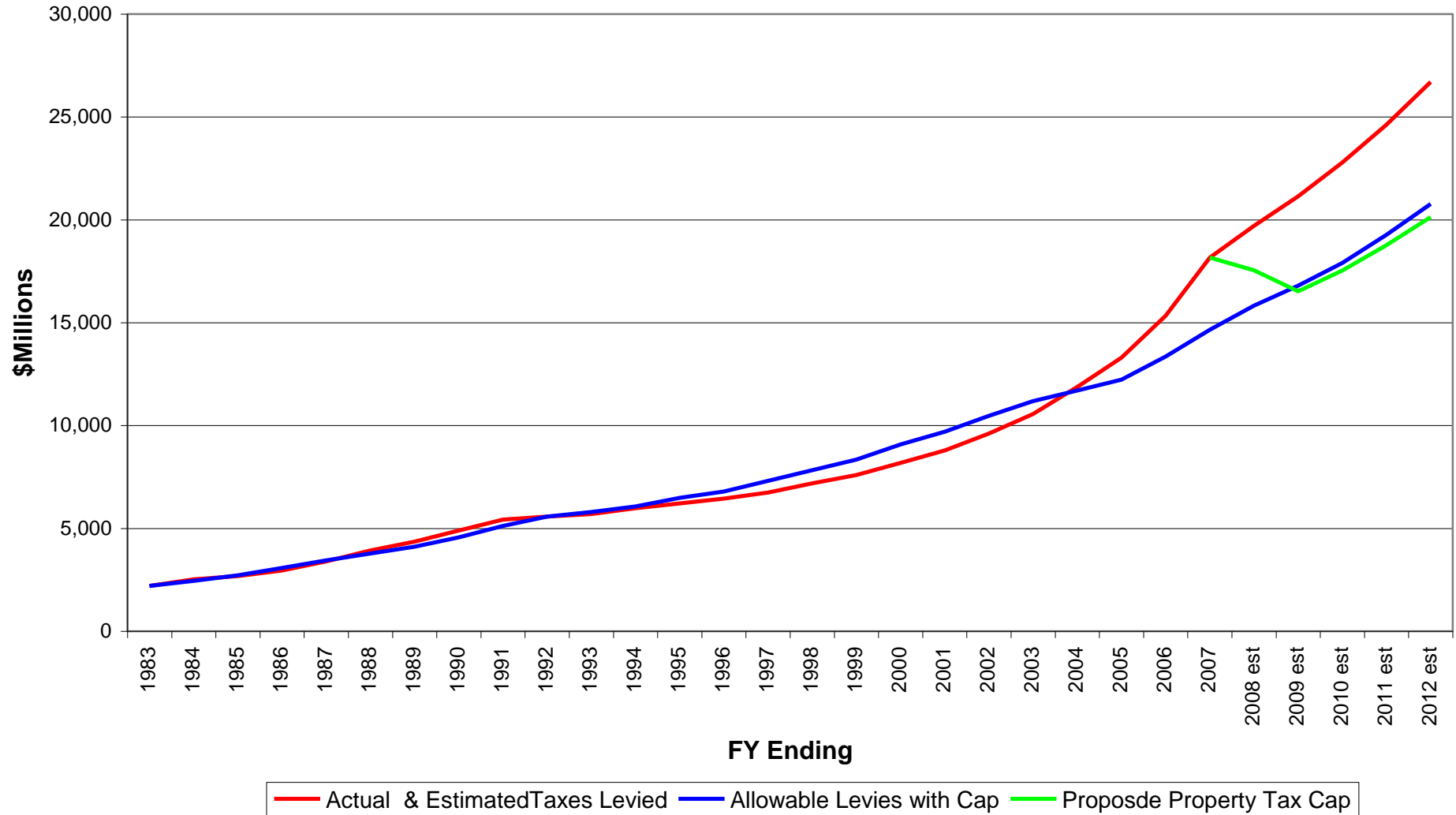




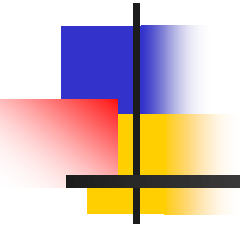
Tax Growth Cap

- Proposed property tax cap reinforces the tax relief and reform.
- Impact is to reduce property taxes to normal levels and prevent future excessive tax increases.

**Florida City County & Independent District Property Tax Levies
Compared to Collections Limited to Population and Income Growth
(Base Year for Cap = 1982)
Mandatory Relief & Homestead Tax Reform**



Constitutional Tax Relief and Reform





Constitutional Provisions:

- Homestead Exemption Increase
- Low-Income Seniors exemption increase
- Affordable Housing valuation limitations
- Working Waterfronts valuation limitations
- Tangible Personal Property exemption



Homestead Exemption

- Increased exemption based on a percent of just value in different increments.
- Homesteaders not initially better off under the new exemption would be “grandfathered.”



Homestead Exemption: Calculation

- Exemption equals:
 - 75% of the first \$200,000 in just value,
 - 15% of the value between \$200,000 and \$500,000, with
 - Minimum exemption of \$50,000.

- \$500,000 upper threshold indexed to growth in Florida Personal Income per capita. The Legislature may also increase this threshold by a 2/3 vote of the membership.

Homestead Exemption: Calculation

PROPOSED EXEMPTION STRUCTURE

		Homestead Just Value			
		\$60,000	\$200,000	\$400,000	\$1,000,000
<u>Exempt %</u>	<u>Value Range</u>				
75%	0 to 200k	\$50,000	\$150,000	\$150,000	\$150,000
15%	200k - 500k	\$0	\$0	\$30,000	\$45,000
0%	500k +	\$0	\$0	\$0	\$0
Exempt Value		\$50,000	\$150,000	\$180,000	\$195,000
% of Just Val		83.3%	75.0%	45.0%	19.5%
Taxable Value		\$10,000	\$50,000	\$220,000	\$805,000
% of Just Val		16.7%	25.0%	55.0%	80.5%



Homestead Exemption: “Grandfathering”

- Homesteads that are not initially better off under the new exemption structure will continue to receive full Save Our Homes benefits until the homestead changes ownership.



Low-Income Seniors

- Low-income seniors would be guaranteed a minimum exemption of \$100,000 instead of \$50,000, within the structure of the new, increased Homestead Exemption.
- Income threshold to qualify is the same as the current local option additional exemption for seniors (65 years and older).



Affordable Housing

- Constitution: Grants the legislature authority to provide for the assessment of property used for affordable housing at less than fair market value.
 - The property must be subject to rent restrictions imposed by a governmental agency.
- Implementing language provides for an application process. Certain defined rental properties that receive federal or state assistance and are rent-restricted will be assessed on the basis of their income.



Working Waterfronts

- Constitution: Grants the legislature the authority to provide for the assessment of waterfront property at less than fair market value.
- Qualifying properties are:
 - Land used exclusively for commercial fishing purposes,
 - Land open to the public that is used predominantly for water-dependent activities, or
 - Land used for public access to the water.
- Implementation left for regular legislative session.



Tangible Personal Property

- Constitution: Authorizes the legislature by general law to grant a minimum exemption of \$25,000.
- Implementing Bill: Authorizes an exemption of first \$25,000 per return.



The Bottom Line

- \$31.6 billion tax cut—the largest in Florida history.
- Immediate tax relief for both businesses and homeowners.
- Protection for all property owners.
- Restores fairness and affordability.